Registre de Commerce et des Sociétés
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MENTION

Nom de la Société :	FERRERO INTERNATIONAL S.A.
Siège Social :	Findel Business Center – Complexe B, rue de Trèves, L-2632 Findel
N° du registre de Commerce :	B 60814

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FERRERO INTERNATIONAL S.A.

Société Anonyme

Consolidated Financial Statements

As of and for the year ended August 31, 2015

together with

Report of the Réviseur d'Entreprises Agréé

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(amounts in thousands of Euro, unless differently stated)

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DIRECTORS' REPORT

To the Shareholders of Ferrero International S.A.

The consolidated financial statements of the Ferrero Group for the year ended August 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as supplemented by the interpretations provided by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC"), and endorsed by the European Union.

Below, we highlight the main aspects of the macroeconomic environment, supplemented by key highlights about the Group's operating performance, both past and future.

Macroeconomic background

The central theme of the economic scenario occurred in 2014/2015 was the differential between the growth in the United States and other advanced countries, which gave rise to totally different monetary policies and a willingness to strengthen the dollar. In this context, there was the collapse in oil prices and the crisis in emerging countries.

The outlook of the global economy was affected by numerous sources of tension, such as the expectation of rising interest rates in the United States, the slowdown in economic activity in China and the connected impact on emerging countries as well as financial markets, the outcome of the crisis in Greece and the trend in the price of oil. During the first few months of 2015, economic data turned out to be slightly better than forecasted in Europe, but worse in the United States and Asia.

Overall, the world economy has not shown any tendency to shift towards more sustained growth rates yet, despite of the loose financial conditions in advanced countries.
The stimulus generated by the monetary policy measures introduced between June and September last year was considered insufficient by the European Central Bank ("ECB"). In order to achieve adequate growth in the Eurosystem's economy, facing the risks related to an excessively prolonged period of low price stagnation, in March 2015, the ECB decided to extend its Quantitative Easing programme (purchasing securities for monetary policy purposes) until September 2016.

The US Federal Reserve left unchanged its target range for interest rates on Federal funds (0.0-0.25%), even though they were expected to rise. The failure to start tightening monetary policy was mainly because of concerns about the macroeconomic and international financial situation and intensification of the downward pressure on inflation. Both United Kingdom and Japan have continued to pursue an expansionary monetary policy. In the main emerging countries, central banks have continued the monetary easing that has been underway since the beginning of 2015.

Consumer price inflation has remained low throughout the period. In 2015, it continued to fall rapidly in advanced countries, reaching zero from February in US and UK and even turning negative in the Eurozone. The trend in consumer prices in the main emerging nations, on the other hand, has stabilized or continued to grow. In China and India, inflation has remained close to where it was at the end of 2014 (1.4% and 5.2%, respectively), while in Russia it has fallen to 15.3% due to the stabilization of the currency.

The GDP of the Eurozone has continued to grow modestly. In the second quarter of 2015, the growth was 0.4% over the previous period. Economic activity was driven mainly by trade with other countries, with a marked acceleration in exports and a slowdown in imports. The stimulus from household consumption was partly offset by a decrease in capital investment. Among the major economies, GDP grew in Italy and Germany (by 0.3% and 0.4%, respectively), whereas it stagnated in France (after a sharp rise in the first quarter), affected by a significant slowdown in consumer spending.

In the United States, after falling unexpectedly by 0.2% in the first quarter of 2015 due to temporary factors that slowed capital investment and exports, GDP accelerated more than expected in the second quarter to 3.9% on an annual basis, with a positive contribution by all components, particularly domestic demand from the private sector.

In the first half of 2015, the growth of the Chinese economy slowed down to 7.0% on a yearly basis, in line with the targets set by the government. This slowdown did not hit only China, but also other Asian countries and raw materials exporting countries, mostly affected by the weakening in Chinese demand. International institutions have downgraded the growth outlook for most emerging countries where there have been substantial outflows of capital from their stock and bond markets. Russia's economy has entered a phase of sharp recession, registering negative growth figures due to the continuation of sanctions for the crisis in Ukraine and low energy prices.

The economic recovery continues in Italy although it is still modest and fragile. Encouraging signs are coming from the labour market with the unemployment rate down to 12%. During the year, the dollar continued to strengthen against the euro, a trend that started in early 2014. In the first quarter of 2015, the divergent dynamics of the monetary policies applied by the Federal Reserve and ECB led to a sharp acceleration in the euro's decline on foreign exchange markets. The euro went from USD 1.24 in mid-December 2014 to USD 1.11-1.15 during the period January to February 2015, but then fell to 1.04-1.08. In the second quarter of 2015, the euro recovered only a minor part of the previous months' hefty devaluation, appreciating against both the dollar and the yen.

In early 2015, financial markets reacted positively to the new quantitative easing plan decided by the ECB. Volatility fell and stock prices strengthened. The fall in oil prices, which began in the summer of 2014 because of concerns about oversupply, led to prices collapsing since the beginning of the year, reaching all-time lows at the beginning of 2015 with a loss in value of more than fifty percent. After a period of relative stability during the summer months, commodities have since lost ground again.

Commodity markets
European and international market conditions continued to be highly volatile during the financial year ended August 31, 2015, influenced by the trend in fundamentals (supply and demand) and increasing speculation.

Milk derivatives

The price of powdered milk touched bottom in the summer of 2015, reaching levels recorded for the last time in 2009. The high level of production in Europe, combined with the ongoing embargo on Russian imports, created excess supply and rising stocks that, while waiting for the winter period 2015, have driven down prices, compromising margins throughout the entire dairy chain, which has triggered off drastic reductions in the price of fresh milk from the farms. There were several protests by the farmers throughout Europe during the summer. If such situation continues, it could lead to production cuts in the medium term. As for the rest of the world, production was good in Oceania and the USA.

Cocoa

The rising trend in the price of cocoa is continuing and since the beginning of the year, it has once again posted an increase of 10%, triggered off by a low 2015 harvest in Ghana and Indonesia. Despite of this, prices tended to fluctuate throughout the year, therefore it was necessary to moderate the impact of this growth by making purchases when the market was in a period of technical set-back.

Hazelnuts

In 2014, the Turkish hazelnut production proved to be in substantial deficit compared with historical average demand because of the frost that hit the areas of Trabzon and Ordu (in north eastern Turkey) in March 2014. This deficit has had a strong impact on the procurement price of this important raw material.

Vegetable oils

Global production continues to grow with a 3% increase on last year; consumption is also rising (+1.5%). Stocks in Southeast Asia are as high as they have ever been in the last ten years. This situation has brought prices back to 2009 levels (just after the global financial crisis), also for the correlation with the price of Brent crude oil which has suffered a sharp correction in the last few months of the year.

Sugar

World production of white sugar (from beet and cane) was stable compared with 2013/2014 (+0.7%), whereas consumption rose by 2.5% during the same period. This imbalance has not yet resulted in upward price movements because of the huge stocks that have been built up over the last three years. Price trends in the EU have also confirmed the downward trend that was already visible last year, bringing prices to record lows for the last 20 years.

Packaging materials

The period just ended managed to book unexpected savings as a result of developments that could not have been foreseen when preparing the budget. The plastics and flexible packaging sectors, which are closely related, both benefited from the favourable trend in the price of this commodity throughout the year.

While strongly influenced by the complexity and continuing review of projects, paper still accumulated significant savings on new products, even though this commodity remained stable overall.

In the case of aluminium, long-term hedging enabled us to limit the effect of the sharp rise in the price of this raw material.

As for glass, diversification of the supplier base and the adoption of long-term contracts resulted in the savings that we were looking for.

Group performance

Financial year 2014/2015 was an outstanding year for the Group, despite the ongoing economic crisis and stagnant food consumption in certain major European markets.

In fact, the Ferrero Group managed a double-digit increase in sales, without failing to boost investment in its brands, while maintaining a high level of operating income and strengthening internal R&D activities.

During 2014/2015, consolidated net sales increased by 1.1 billion Euro (+13.4%) to 9.5 billion Euro, compared with 8.4 billion Euro the previous year.

Sales of finished products were up to 9.1 billion Euro, from 8.3 billion Euro in previous year (+10.2%).

Despite these difficulties in the international scene, this growth reflected exceptional dynamism in the development of new markets: sales of Ferrero products confirmed and, in some cases improved on, the outstanding results achieved in recent years in Asia, the United States, Canada, Mexico and Australia.

The sales achieved in European markets such as the UK, Poland and Germany have been excellent. The main Latin markets (in Europe and South America) showed a good recovery, with the exception of Italy, which remained essentially flat.

Russia has been seriously affected by the rouble's hefty devaluation.

Operating costs rose by 14.7%, an increase that is slightly more than proportional to the rise in total revenues (+13.7%). Among the various components of operating costs, raw materials showed the highest increase in percentage terms, mainly because of the substantial increase in the cost of hazelnuts.

EBITDA and EBIT in 2014/2015 came to 1.4 billion Euro and 1,048 million Euro, respectively, up on the previous year. EBITDA as a percentage of Net Sales came to 14.6% (15.4% the previous year).

The financial result was a loss of 159 million Euro, compared with a loss of 75 million Euro the prior year. This result was essentially due to the effect of translating foreign currency assets and liabilities at year-end exchange rates.

Net profit for the year was 514 million Euro (636 million Euro at August 31, 2014). Net profit represents 5.4% of net sales (7.6% the previous year). Taxation amounted to 376 million Euro compared with 271 million Euro at August 31, 2014.

Again this year, the Group continued to invest in improving and expanding its factories, plants and equipment in line with its entrepreneurial and social commitments and in constant application of its corporate strategies.

Key corporate strategies call for ongoing improvements in the quality and competitiveness of products, while paying close attention to product freshness, food safety and the environment in which the Ferrero Group operates. In order to achieve these strategies, industrial technologies must be enhanced continuously in order to meet the changing needs and desires of the consumer ahead of its competitors.

During the year just ended, the Group pursued its strategy of technological development in product processing through the expansion of production capacity, with total capital investment amounting to 646 million Euro (537 million Euro in the prior year). Of this amount, the majority was for industrial and manufacturing investment (557 million Euro or 5.8% of net sales, compared with 458 million Euro the previous year, or 5.4% of the corresponding net sales) mainly in China, Italy, Germany, Poland, India and Brazil; the remaining balance was mainly directed towards the progressive implementation and improvement of the ERP system across the Group.

The Ferrero Group continued to strengthen its presence in the hazelnut market, in order to guarantee and improve the quality of this fundamental raw material and to provide a unique taste in products such as Nutella, Ferrero Rocher and Kinder Bueno.
In February 2015, the Group completed the purchase of all of the equity interest in the Oltan Group, a market leader in the supply, processing and sale of hazelnuts, with annual sales of around 500 million US Dollars.
With registered offices in Trabzon, Turkey, the Oltan Group has five production locations in the principal hazelnut cultivation regions and exports to the European Union and other major markets.
This acquisition will consolidate Ferrero's social commitment to sustainable cultivation, as already demonstrated in Turkey by means of the "Ferrero Farming Values" (FFV) program. The primary objective of this program is to develop cultivation techniques used by local farmers, thereby raising productivity.

Then, in August 2015, the Group was completing the acquisition of Thorntons Plc through a recommended cash offer. Thorntons Plc is a British producer of chocolates, founded in 1911, with about 3,500 employees and annual sales of around 300 million Euro. The company, which was previously listed on the London Stock Exchange, was immediately de-listed.

Details of these acquisitions, together with the details of the acquisition occurred in March 2015 of the 100% controlling interest in the Belgian company Eurobase International NV operating in the gum base industry, are provided in note 8.

The Group's average workforce in 2014/2015 was 25,784, increasing yet again from 24,836 employees in 2013/2014. The headcount as of August 31, 2015 amounted to 33,219 employees, compared with 27,457 as of August 31, 2014.

The parent company, Ferrero International S.A., has continued to devise and drive the strategic guidelines, guaranteeing financial and managerial support for the achievement of Group objectives for more than seventy subsidiaries. During the year the Advisory Committee has broadened its advisory role for the Board of Directors on matters interesting the conduct of affairs of the Group, including responsibilities in terms of risk management, corporate governance and audit. As a consequence the Audit Committee has been disbanded and its role and responsibilities have been transferred to the Advisory Committee which has then been renamed Advisory & Audit Committee.

Lastly, the sixth "Corporate Social Responsibility Report" for 2013/2014 was published during the year. This document was prepared in accordance with the guidelines contained in the "Sustainability Reporting Guidelines and Foods Processing Sector Supplement" (version 3.1, 2011) issued by the GRI - Global Reporting Initiative.

The following references were also taken into account:

- the "Ten Principles" of the United Nations' Global Compact (UNGC);
- SO (International Organization for Standardization) 26000:2010 "Guidance on social responsibility";
- the "OECD Guidelines for Multinational Enterprises".

The Report was also subject to independent audit and has obtained GRI Application Level "A+" for the fourth consecutive year.

Business Outlook

The major advanced economies are continuing to expand, albeit at different speeds. The macroeconomic picture is dominated by the slowdown in China, which has helped weaken international raw material prices, awakening fears about the risk of a slowdown in economic activity sufficiently persistent and deep as to have repercussions on growth in advanced economies.

Consumer price inflation in advanced economies is oscillating around zero. Inflationary trends appear to be more diversified in emerging countries: very high in Russia and Brazil, also due to their weak exchange rates, far more moderate in India and China.

Volatility in international financial and currency markets, which fell after agreement was reached between Greece and the other European leaders, has risen rapidly since mid-August 2015.

Events in China have triggered significant losses on the financial markets of advanced countries and other emerging economies and caused a sharp currency depreciation in countries that produce raw materials.

Globally, the currencies of emerging countries have depreciated against the dollar, especially those of economies which export raw materials. In the third quarter, Euro recovered some of the devaluation that it suffered in the early months of 2015.

Despite of this picture of continuing instability, in the first few months of 2015/2016, Group sales continued to grow at a pace similar to previous year.

With regard to the purchase of raw materials, the year 2015/2016 is characterized by a huge supply of hazelnuts in Turkey. But despite this, the price in local currency remains high due to strong demand from all operators and price expectations on the part of supply chain operators.

As regards the Ferrero Group's other soft commodities, there are no signs of tension in their fundamentals, also given the period of stability related to weak prices for Brent. The trend in cocoa prices is the opposite, still remaining at historically high levels.

As for packaging materials, the hedging secured through contracts up to the end of April 2016 allows us to contain the upward pressure on prices encountered at the start of the new year, especially in paper, while plastics are accumulating a favourable price trend, in contrast with the projections for this sector.

The explanatory notes accompanying the consolidated financial statements include descriptions risk management policies and significant events that have taken place subsequent to the reporting date.

The Board of Directors
FERRERO INTERNATIONAL S.A.

(amounts in thousands of Euro, unless differently stated)

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet

as of August 31

ASSETS	Notes	2015	2014
NON CURRENT ASSETS:			
Property, plant and equipment	13	3,322,465	3,064,826
Intangible assets	14	395,333	178,387
Goodwill	8	163,685	1,457
Biological assets	15	50,655	46,089
Investments and securities	16	334,136	269,782
Other non current financial assets	17	37,411	25,904
Deferred tax assets	12	106,026	102,588
TOTAL NON CURRENT ASSETS		**4,409,711**	**3,689,033**
CURRENT ASSETS:			
Inventory			
Raw materials and supplies	18	1,052,190	861,425
Work in progress	18	214,818	141,957
Finished products and consumables	18	744,415	545,627
Payments on account	18	2,101	23,127
		2,013,524	1,572,136
Trade and other commercial receivables			
Trade receivables	19	1,077,476	966,655
Other commercial debtors	19	83,385	52,272
		1,160,861	1,018,927
Other current receivables			
Tax, VAT and social securities receivables	20	347,195	322,680
Other receivables	20	137,919	132,036
		485,114	454,716
Bonds and current securities	21	6,034	6,755
Other current financial assets			
Financial derivatives	22	39,939	43,218
Receivables and other financial assets		3,891	2,576
		43,830	45,794
Cash and cash equivalents	31	286,163	253,677
TOTAL CURRENT ASSETS		**3,995,526**	**3,352,005**
TOTAL ASSETS		**8,405,237**	**7,041,038**

The accompanying notes are an integral part of these consolidated financial statements.

(amounts in thousands of Euro, unless differently stated)

Consolidated Balance Sheet (continued)
as of August 31

	Notes	2015	2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Shareholders' equity - parent interests			
Share capital	23	138.000	138.000
Total reserves and retained earnings	23	1.437.993	1.691.459
Net income - parent interests		513.107	635.474
		2.089.100	2.464.933
Shareholders' equity - minority interests			
Total reserves - minority interests	24	8.726	8.306
Net income - minority interests	24	536	420
		9.262	8.726
TOTAL SHAREHOLDERS' EQUITY		**2,098,362**	**2,473,659**
NON CURRENT LIABILITIES:			
Employee benefit plans	25	314.096	262.683
Provisions	26	255.076	172.858
Deferred tax liabilities	12	312.993	251.742
Non current financial liabilities			
Banks	27	135.854	27.443
Financial loans	27	8.674	8.266
Debt owed to Shareholders	28	1.809.659	1.386.358
		1.954.187	1.422.067
Other non current liabilities	8	97.234	-
TOTAL NON CURRENT LIABILITIES		**2,933,586**	**2,109,350**
CURRENT LIABILITIES:			
Current financial liabilities			
Banks	27	400.180	105.866
Financial derivatives	22	70.759	41.543
Financial liabilities	27	996.516	683.481
Debt owed to Shareholders	28	88.009	90.294
		1.555.464	921.184
Trade and other commercial payables			
Trade payables	29	743.293	538.181
Other commercial creditors	29	244.302	283.822
		987.595	822.003
Other current payables			
Tax, VAT and social security payables	29	125.261	91.275
Payables towards personnel	29	228.046	195.542
Other payables	29	476.923	428.025
		830.230	714.842
TOTAL CURRENT LIABILITIES		**3,373,289**	**2,458,029**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8,405,237**	**7,041,038**

The accompanying notes are an integral part of these consolidated financial statements.

(amounts in thousands of Euro, unless differently stated)

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement
for the year ended August 31

	Notes	2015	2014
Revenues			
Net sales	9	9,541,772	8,412,438
Other revenues	10	516,680	433,652
		10,058,452	8,846,090
Cost of Revenues			
Cost of raw materials and supplies		4,238,419	3,420,445
Cost of services	11	2,832,329	2,633,951
Personnel costs	11	1,509,388	1,414,053
Other operating costs		95,013	92,045
		8,675,149	7,560,494
Share of profit under the equity method	16	13,891	7,447
Operating income before amortization and depreciation		**1,397,194**	**1,293,043**
Amortization and depreciation	13-14-15	348,775	310,919
Operating income		**1,048,419**	**982,124**
Financial income and (expenses)			
Financial income from investments		847	20
Impairment and devaluation of financial assets		(8,426)	(7,538)
Interest income		27,595	24,091
Interest expenses	28	(87,993)	(64,781)
Other financial (expenses)		(5,098)	(9,236)
Gain and (loss) on financial derivatives	22	(20,733)	13,015
Currency exchange (loss)		(65,348)	(30,408)
		(159,156)	(74,837)
Income before tax		**889,263**	**907,287**
Income taxes	12	**375,620**	**271,393**
Net income		**513,643**	**635,894**
Net income - parent interests		*513,107*	*635,474*
Net income - minority interests		*536*	*420*

The accompanying notes are an integral part of these consolidated financial statements.

As of and for the year ended August 31, 2015
(amounts in thousands of Euro, unless differently stated)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Before Tax	Tax	After Tax
Net Income for the year ended August 31, 2015	**889,263**	**(375,620)**	**513,643**
(Losses) recognized directly in the cash flow hedge reserve	(8,364)	(615)	(8,979)
Gains recognized directly in the reserve for fair value measurement of financial assets available for sale	12,057	-	12,057
Foreign currency translation	(95,638)	-	(95,638)
Total Items that are or may be classified subsequently to the income statement	**(91,945)**	**(615)**	**(92,560)**
Gains recognized directly in the actuarial gains & losses reserve	4,715	(1,095)	3,620
Total Items that will not be classified subsequently to the income statement	**4,715**	**(1,095)**	**3,620**
Total Comprehensive Income for the year ended August 31, 2015	**802,033**	**(377,330)**	**424,703**
Attributable to:			
Parent interests			424,167
Minority interests			536

	Before Tax	Tax	After Tax
Net Income for the year ended August 31, 2014	**907,287**	**(271,393)**	**635,894**
Gains recognized directly in the cash flow hedge reserve	10,580	950	11,530
Gains recognized directly in the reserve for fair value measurement of financial assets available for sale	11,069	-	11,069
Foreign currency translation	(20,660)	-	(20,660)
Total Items that are or may be classified subsequently to the income statement	**989**	**950**	**1,939**
(Losses) recognized directly in the actuarial gains & losses reserve	(23,181)	5,529	(17,652)
Total Items that will not be classified subsequently to the income statement	**(23,181)**	**5,529**	**(17,652)**
Total Comprehensive Income for the year ended August 31, 2014	**885,095**	**(264,914)**	**620,181**
Attributable to:			
Parent interests			619,761
Minority interests			420

The accompanying notes are an integral part of these consolidated financial statements.

As of and for the year ended August 31, 2015
(amounts in thousands of Euro, unless differently stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AUGUST 31, 2015

	Subscribed Capital	Legal Reserve	Share Premium	Cash flow hedge reserve	Actuarial gains & losses reserve	Financial assets available for sale	Foreign currency translation reserve	Other reserves and profit brought forward	Profit for the financial Year	Minority reserves	Minority result	Total
Balance as of September 1, 2014	138,000	13,800	1,320,116	(1,909)	(44,687)	16,267	(91,393)	479,265	635,474	8,306	420	2,473,659
Allocation of profit								635,474	(635,474)	420	(420)	-
Profit of the year net of the cash flow hedge reserve				1,909					513,107		536	**515,552**
Net increase/(decrease) of the year				(10,888)	3,620	12,057						**4,789**
Translation difference in comprehensive income							(95,638)					**(95,638)**
TOTAL COMPREHENSIVE INCOME				(8,979)	3,620	12,057	(95,638)	635,474	(122,367)	420	116	**424,703**
Dividend declared								(800,000)				**(800,000)**
Net variation of the year				(8,979)	3,620	12,057	(95,638)	(164,526)	(122,367)	420	116	**(375,297)**
Balance as of August 31, 2015	138,000	13,800	1,320,116	(10,888)	(41,067)	28,324	(187,031)	314,739	513,107	8,726	536	2,098,362

The accompanying notes are an integral part of these consolidated financial statements.

(amounts in thousands of Euro, unless differently stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AUGUST 31, 2014

	Subscribed Capital	Legal Reserve	Share Premium	Cash flow hedge reserve	Actuarial gains & losses reserve	Financial assets available for sale	Foreign currency translation reserve	Other reserves and profit brought forward	Profit for the financial Year	Minority reserves	Minority result	Total
Balance as of September 1, 2013	138,000	13,800	1,320,116	(13,439)	(27,035)	5,198	(70,733)	334,642	544,623	8,311	361	2,253,844
Allocation of profit								544,623	(544,623)	361	(361)	-
Profit of the year net of the cash flow hedge reserve reversal				13,439					635,474		420	649,333
Net increase/(decrease) of the year				(1,909)	(17,652)	11,069						(8,492)
Translation difference in comprehensive income							(20,660)					(20,660)
TOTAL COMPREHENSIVE INCOME				11,530	(17,652)	11,069	(20,660)	544,623	90,851	361	59	620,181
Dividend declared								(400,000)		(366)		(400,366)
Net variation of the year				*11,530*	*(17,652)*	*11,069*	*(20,660)*	*144,623*	*90,851*	*(5)*	*59*	*219,815*
Balance as of August 31, 2014	138,000	13,800	1,320,116	(1,909)	(44,687)	16,267	(91,393)	479,265	635,474	8,306	420	2,473,659

The accompanying notes are an integral part of these consolidated financial statements.

As of and for the year ended August 31, 2015
(amounts in thousands of Euro, unless differently stated)

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow statement
for the year ended August 31

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income, Group		**513,107**	**635,474**
Minority net income		536	420
Amortization and depreciation		348,775	310,919
Non monetary decrease of property, plant and equip., intangible and biological assets		855	1,845
Impairment of current financial assets and FA		9,261	3,089
Unrealized losses/(gains) on financial assets and liabilities		51,543	(14,756)
Change in provisions, deferred taxes and employee benefits		124,472	45,551
Share of (profit) from Investments in Associates and JV		(13,891)	(7,447)
Net cash flows before movements in working capital		**1,034,658**	**975,095**
(Increase) in inventory		(186,084)	(172,074)
(Increase) in trade and other current receivables		(85,716)	(157,882)
Increase in trade and other current payables		122,221	62,418
Change in net working capital		**(149,579)**	**(267,538)**
NET CASH FROM OPERATING ACTIVITIES		**885,079**	**707,557**
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Additions) of property, plant and equipment, intangible and biological assets		(645,696)	(537,343)
Disposals of property, plant and equipment, intangible and biological assets		9,427	8,658
Disposals of investments		441	3,144
(Additions) of securities and other non current financial assets, net of disposal		(48,571)	(16,249)
Reclassifications and translation adjustments		6,899	7,858
Acquisitions, net of cash acquired (*)	8	(307,969)	-
NET CASH (USED IN) INVESTING ACTIVITIES		**(985,469)**	**(533,932)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from banks and other financial liabilities		1,217,113	454,754
(Repayment) of bank debts and other financial liabilities		(275,386)	(152,780)
Decrease/ (Increase) in bonds, securities and other current financial assets		(9,710)	2,495
(Dividends)	28	(800,000)	(400,366)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**132,017**	**(95,897)**
NET CASH FLOW		**31,627**	**77,728**
Translation differences on cash and cash equivalents		859	(1,506)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**32,486**	**76,222**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		253,677	177,455
CASH AND CASH EQUIVALENTS AT THE YEAR END		286,163	253,677

The accompanying notes are an integral part of these consolidated financial statements.

Cash paid for interest, net of interest received, during 2014/2015 is € 53,575 (€ 40,690 in 2013/2014). Cash paid for taxes during the year amounted to € 241,574 (€ 322,408 in 2014). Amounts are included in net cash flow from operating activities.
(*) Cash acquired in business combination during the year 2014/2015 is equal to € 17,891.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED AUGUST 31, 2015

1. General information

Ferrero International S.A. (the "Company") was incorporated under the laws of Luxembourg as a "Société Anonyme" on September 22, 1997 for unlimited period of time. The Company is registered in Luxembourg under the number R.C.S. B 60.814 and has its registered office located at Findel Business Center - Complex B, Rue de Trèves, L-2632 Findel, Luxembourg.

The objective of the Company is in Luxembourg as well as abroad, in whatever form any industrial, commercial, financial, personal or real estate property transactions, which are directly and indirectly in connection with the creation, management and financing, in whatever form, of any undertakings and companies which object is any activities in whatever form, as well as the management and development, permanently or temporarily, of the portfolio created for this purpose. The Company may take participating interests by any means in any businesses, undertakings or companies having the same, similar or connected object, or which may favour its development of the extension of its operations.

The Company is the parent company of the multinational Ferrero Group (the "Group"), with direct or indirect financial holdings as outlined in *Annex I*. The Group is engaged in the business of manufacturing and marketing confectionery. Through 22 operating manufacturing plants and 78 consolidated subsidiaries worldwide, the Group sells its products all over in the world.

2. Basis of presentation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by International Accounting Standard Board ("IASB") and endorsed by the European Union.
The designation of IFRS includes all endorsed International Accounting Standards ("IAS/IFRS") as well as the International Financial Reporting Interpretations Committee ("IFRIC").
The Group, following the effect of European Union Regulation No. 1606 of July 19, 2002, voluntary adopted IFRS on September 1, 2006.
In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB, as adopted by the European Union, that are relevant to its operations and effective for annual reporting periods beginning on September 1, 2014.

The consolidated financial statements have been prepared on the basis of the conventional historical cost principle, except for the measurement of certain financial assets and liabilities, including derivatives instruments, as well as of certain assets and liabilities of acquired companies, where the application of the fair value principle is mandatory.

(amounts in thousands of Euro, unless differently stated)

According to the Article of Association of Ferrero International S.A., the Company closing date of the financial year is August 31, as per other consolidated subsidiaries, except for:

	Closing Date
Agri Bulgaria EOOD	December, 31
Agri Georgia LLC	December, 31
Agriser d.o.o. Beograd	December, 31
Ferrero de México S.A. de C.V.	December, 31
Ferrero del Ecuador S.A.	December, 31
Ferrero Food (Hangzhou) Company Limited	December, 31
Ferrero Kazakhstan Limited Liability Partnership	December, 31
Ferrero Latin America Developing Markets S.A.S.	December, 31
Ferrero Russia CJSC	December, 31
Ferrero Trading (Shanghai) Co. Ltd.	December, 31
Ferrero Ukraine T.o.v.	December, 31
Imsofer S.A.	December, 31
Sodeser S.A. de C.V.	December, 31
Stelliferi & Itavex Srl	June, 30
Thorntons PLC	August, 22

For such subsidiaries, the Company obtained an internal reporting package prepared for the twelve-month period ending at August, 31 in accordance with Group accounting policies with reference to IAS/IFRS.

3. New and revised Standards IAS/IFRS

The new standards, amendments to standards and interpretations did not have any material impact on the financial position and performance of the Group for the reporting year ending August 2015.

At the date of approval of the consolidated financial statements, the following Standards and Interpretations - which have not been applied in these financial statements - were endorsed by European Union but not yet applicable:

- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions*. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. European entities are required to apply these amendments retrospectively beginning on or after February 1, 2015. While no significant effects are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard.

- Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*. The amendments address the accounting for acquisitions of interests in joint operations in which the activities of the joint operation constitute a business as defined by IFRS 3. The amendments are applicable from January 1, 2016. Early adoption is allowed; while no significant effects are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard.

- Amendments to IAS 16 and to IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments to IAS 16 *Property, plant and equipment* establish that depreciation criteria based on revenue are not appropriate. The amendment clarifies that the revenues generated by an asset including revenue generated by using that asset generally reflect factors other than the economic

benefits that are being consumed through use of the asset. The amendments to IAS 38 *Intangible Assets* introduce a presumption that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate for the same reasons outlined in the amendments to IAS 16 *Property, plant and equipment*. For intangible assets, this presumption can be rebutted in certain limited circumstances. The amendments are applicable from January 1, 2016. Early adoption is allowed; while no significant effects are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard.

- Amendments to IAS 16 and to IAS 41 – *Bearer Plants*. The amendments require that bearer plants, i.e. fruit trees expected to bear produce on an annual basis (such as grape vines and nut bearing plants) be accounted for in accordance with IAS 16 (rather than IAS 41). As a result, it will no longer be mandatory to measure bearer plants at fair value less costs to sell, instead entities either will measure bearer plants at cost less accumulated depreciation and impairment, or at fair value, less accumulated subsequent depreciation and impairment. Additionally, the Amendments confirm that produce growing on bearer plants is a biological asset and remains within the scope of IAS 41, carried at fair value less costs to sell. The amendments are applicable from January 1, 2016. Early adoption is allowed. The new standards will not impact the evaluation and presentation of the biological assets of the Group, being the accounting principle adopted at present already compliant with the new standard.

- Amendments to IAS 27 – *Equity Method in Separate Financial Statements*. These amendments are applicable to periods beginning on or after January 1, 2016. Early adoption is allowed; this standard is not applicable to the Group consolidated financial statements.

- Amendments to IAS 1 – *Disclosure Initiative*. The goal of the amendments is to clarify on disclosures and other elements that may be perceived as hindrance to a clear and intelligible financial statements drafting. The amendments apply at the latest as of the financial years starting as at January 1, 2016 or at a later date; while no significant effects are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard on consolidated disclosures.

- Annual Improvements to IFRSs 2010-2012 Cycle.

- Annual Improvements to IFRSs 2011-2013 Cycle.

- Annual Improvements to IFRSs 2012-2014 Cycle.

As follows, the accounting principles, amendments and interpretations issued by IASB and not yet been endorsed by European Union:

- IFRS 9 – *Financial Instruments*. The standard was issued on November 12, 2009 and it was amended on October 28, 2010. The new standard is effective on a retrospectively basis for annual beginning on or after January 1, 2018, with earlier application permitted. The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities. In particular, as regards financial assets, the new standard adopts a single approach based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial assets, in order to determine its valuation criteria and replacing the many different rules in IAS 39. The most significant effect of the standard regarding the financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. According to the new standard, these changes must be recognised in "Other Comprehensive Income" and will no longer be recognised in the Income Statement. On November 19, 2013, IASB published document *"IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and*

IAS 39" concerning the new hedge accounting model (effective on January 1, 2018). The document aims at responding to some criticisms made to IAS 39 requirements for hedge accounting, which are often considered as too stringent and not suitable for reflecting the entities' risk management policies. On July 24, 2014, the IASB completed and issued the new IFRS 9 – *Financial Instruments*. The improvement package introduced by the new standard includes a logical model for classification and measurement of financial instruments, a single expected loss impairment model for financial assets and a substantially reformed approach for hedge accounting, The new standards will impact the evaluation and presentation of the financial assets and liabilities of the Group; the impact and alignment to the new provisions introduced by the standards are in progress of determination.

- IFRS 14 – *Regulatory Deferral Accounts*. On January 30, 2014, IASB issued this standard that allows only first-time adopters to continue to account for balances relating to rate-regulated activities based on the previous accounting standards. This standard is applicable from January 1, 2016. Early adoption is allowed; this standard is not applicable to the Group.

- IFRS 15 – *Revenue from Contracts with Customers*. On May 28, 2014, IASB issued this standard that will supersede IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC interpretations 13 *Customer Loyalty Programmes*, 15 *Agreements for the Construction of Real Estate*, and 18 *Transfers of Assets from Customers*, as well as SIC 31 *Revenue - Barter Transactions Involving Advertising Services*. The new revenue recognition model will apply to all contracts with customers except for those falling within the scope of other IASs/IFRSs, such as lease, insurance and financial instrument contracts. This standard is applicable from January 1, 2018. Early adoption is allowed; while no significant effects on revenues and costs recognition are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard.

- IFRS 16 – *Leases*. On January 13, 2016, IASB issued this standard that will supersede *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives* and *SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. This standard establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. This standard is applicable to periods beginning on or after January 1, 2019. Early adoption is allowed if IFRS 15 has also been applied. The Group will analyse the possible impacts of this new standard.

- Amendments to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments apply as of January 1, 2016, though the date of first application is expected to be put off; while no significant effects are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard.

- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investments Entities: Applying the Consolidation Exception*. These amendments are applicable to periods beginning on or after January 1, 2016. Early adoption is allowed. While no significant effects are expected by the adoption of this new standard, the Group is in progress to complete the full analysis of the impact of this new standard.

- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealized Losses*. These amendments are applicable to periods beginning on or after January 1, 2017. Early adoption is allowed. The Group will analyse the possible impacts of this new standard.

- Amendments to IAS 7 – *Disclosure Initiative*. These amendments are applicable to periods beginning on or after January 1, 2017. Early adoption is allowed. The Group will analyse the possible impacts of this new standard.

4. Format and content of the Consolidated Financial Statements

As regards to the format of the consolidated financial statements, the Group has opted to present the following statements:

Consolidated Balance Sheet

The Consolidated Statement of Balance sheet is presented in two sections, showing assets on one side and liabilities and equity on the other.
Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.
An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or
- it is held primarily for the purpose of trading, or
- it is expected to be realised/settled within twelve months after the reporting period.

If none of the above conditions are met, the assets/liabilities are classified as non-current.
Finally, liabilities are classified as current when the entity does not have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Consolidated Income Statement

Costs shown in the Consolidated Income Statement are aggregated by nature.
The Income Statement also includes the following intermediate aggregates in order to provide a clearer separation of the typical results of normal manufacturing activities, the financial result of the business and the impact of taxation:

- Operating income before amortization and depreciation;
- Operating income;
- Income before tax;
- Net income.

Consolidated Statement of Other Comprehensive Income

The Consolidated Statement of Other Comprehensive Income includes all the changes occurred in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles. The Group has chosen to present these changes in a separate table respect to the Consolidated Income Statement.
The changes in Other Comprehensive Income are shown before the related tax effect with the specific amount of income taxes on said variations being recognized separately. Those components that may or may not be reclassified to Income Statement at a later time are listed separately in the table.

Consolidated Statement of Changes in Equity

A Consolidated Statement of Changes in Equity is included as required by international accounting standards, showing separately the net result for the period and any change that was not charged through the Income Statement, but directly to the consolidated Other Comprehensive Income on the basis of specific IAS/IFRS, as well as transactions with shareholders in their role as shareholders.

Consolidated Cash Flow Statement

A Consolidated Cash Flow Statement split by area of formation of the various classes of cash flow as indicated in international accounting standards is included.
The Consolidated Cash Flow Statement has been prepared using the indirect method. Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of balance sheet figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of balance sheet figures in Euro may be influenced by changes in exchange rates at the

beginning and end of the year, which are not directly linked to the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statements of balance sheet are booked to "Translation differences on cash and cash equivalents".

Regarding the content, the Consolidated Financial Statements as of August 31, 2015 include the Parent Company Ferrero International S.A. and the directly or indirectly controlled subsidiaries. *Annex I* of these notes gives a list of the companies included in the scope of consolidation and the percentages held.
These financial statements are presented in thousands of Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.
The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Ferrero International S.A., the parent company, and of all companies under its direct or indirect control, which is normally identified as control over the majority of the voting rights.

5. Consolidation principles and accounting policies

The main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

These Consolidated Financial Statements have been drawn on the going concern assumption, as the Directors have verified the inexistence of financial, performance or other indicators that could give rise to doubts as to the Group's ability to meet its obligations in the foreseeable future.

Consolidation principles

The financial statements as of August 31, 2015 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IAS/IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

All the companies over which the Group has the direct or indirect power to determine relevant activities – i.e. the financial and operating policies – are considered to be subsidiaries.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated, from the date of acquisition, on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the parent company and other consolidated companies is eliminated against the related share of equity.
All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, except when a loss represents an impairment indicator to be recognised in the Income Statement.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Joint ventures

A joint venture is an entity for which strategic financial and operating decisions on relevant activities are made with the unanimous approval of the controlling parties.
Investments in joint ventures are consolidated applying the equity method from the date that joint control commences until the date that joint control ceases, which means that the results and any change in other

comprehensive income of the joint ventures and associates are reflected in the consolidated income statement and in consolidated statement of other comprehensive income.

The carrying amount of goodwill arising from the acquisition of joint ventures is included in the carrying amount of investments in joint ventures. The entire carrying amount of the investment, including goodwill, is tested for impairment annually. If the carrying amount exceeds the recoverable amount, the carrying value of the investment in the joint venture or in the associate is adjusted by booking the related loss to the Income Statement.

Investments in other companies

Equity investments in other companies that are available-for sale financial assets are measured at fair value, when this can be reliably determined. Gains or losses arising from changes in fair value are recognized directly in equity until the assets are sold or are impaired, when the cumulative gains and losses previously recognized in equity are recognized in the income statement of the period.

Investments in other companies for which fair value is not determinable are stated at cost less any impairment losses.

Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:

- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;
- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Acquisition-related costs are recognized in profit or loss as incurred.
Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the income statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of net assets value in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

Functional currency

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the parent company and hence the currency of presentation of the consolidated financial statements of the Ferrero Group.

(amounts in thousands of Euro, unless differently stated)

The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:

- the items of the Balance Sheet are translated into Euro at the year-end exchange rates;
- the Income Statement items are translated into Euro using the year's average exchange rates;
- differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between net result per income statement and net result per balance sheet;
- whenever a subsidiary with a different functional currency from the Euro is disposed of, any exchange differences included in OCI are charged to the Income Statement;
- dividends paid by companies that use functional currencies other than the Euro are converted at the average exchange rate of the previous year for the company that pays the dividend and at the current exchange rate for the company that receives the dividend; exchange differences between the two amounts are booked to the translation reserve.

The following exchange rates have been used for translation purposes:

Currency	Average exchange rate as of August 31, 2015	Final exchange rate as of August 31, 2015
Argentine Peso	10.187	10.434
Australian Dollar	1.448	1.575
Brazil Real	3.321	4.067
British Pound	0.748	0.728
Bulgarian Lev	1.956	1.956
Canadian Dollar	1.402	1.486
CFA Franc	657.100	655.957
Chilean Peso	721.617	775.670
Chinese Yuan	7.211	7.158
Colombian Peso	2,812.040	3,430.610
Croatian Kuna	7.627	7.553
Czech Koruna	27.468	27.021
Danish Krona	7.453	7.463
Dirham Arab Emirates	4.272	4.115
Georgian Lari	2.389	2.650
Honk Kong Dollar	9.017	8.692
Hungarian Forint	308.954	314.700
Indian Rupee	72.864	74.470
Japanese Yen	137.085	136.070
Kazakhstani Tenge	216.412	268.540
Mexican Peso	17.194	18.913
Malaysian Ringgit	4.154	4.700
Norwegian Krone	8.663	9.359
Polish Zloty	4.168	4.229
Romanian Leu	4.438	4.431
Russian Ruble	62.649	74.858
Serbian Dinar	120.459	120.230
Singapore Dollar	1.548	1.584
South Africa Rand	13.680	14.955
Sri Lanka Rupee	153.943	150.811
Swedish Krona	9.329	9.503
Swiss Franc	1.108	1.083
Turkish Lira	2.889	3.273
Ukrainian Hryvnia	21.881	24.930
US Dollar	1.163	1.122

Accounting policies
The following accounting policies have been applied in the financial statements as of August 31, 2015.

Cash and cash equivalents
Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Receivables included in current assets
Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts.
Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.

Inventories
Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling and distribution costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded.
Obsolete and slow-moving inventories are written down to their utilisable or realisable value.

Property, plant and equipment
At the First Time Adoption property, plant and equipment, excluding furniture, fittings and office equipment, have been stated at "fair value as deemed costs", according to IFRS 1 "First Time Adoption of IFRSs". Subsequent to the transition date, the Group has adopted the cost model. For tangible assets from business combination the valuation at the date of first consolidation is determined according to IFRS 3 as already indicated in the accounting principle *Business Combination*.

Assets are shown at cost, net of accumulated depreciation and accumulated impairment losses. Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.
Tangible fixed assets are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.
The depreciable value is the cost of an asset less its residual value, where the residual value of an asset is the estimated value that the entity could receive at the end of its useful life from its disposal, net of estimated disposal costs.
Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

Depreciation period applicable to each category of tangible fixed assets is summarised below:

Categories	Period
• Buildings	50 years
• Plant and machinery	8 to 30 years
• Technical equipment	3 to 15 years
• Furniture and Fittings	8 years
• Computers and Machinery	5 years
• Internal Transportation Vehicles	4 years
• Cars	4 years
• Other Tangible Fixed Assets	3 to 5 years

Land, assets under construction and payments on account are not depreciated.
Ordinary maintenance costs are charged to the Income Statement. Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.
Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Government grants
Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.
Other government grants are recognized as income on a systematic basis over the periods in which the Group recognizes expenses the related costs for which the grants are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Assets under lease
There are two types of leases: finance leases and operating leases.
A lease is considered a finance lease when it transfers substantially all the risks and benefits incidental to the ownership of the asset to the lessee.
As envisaged in IAS 17, a lease is considered a finance lease when the following elements are present, either individually or in combination:
- the contract transfers ownership of the asset to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the lease, that it will be exercised;
- the lease term is for the major part of the useful life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments is equal to the fair value of the asset being leased;
- the assets being leased are of such a specialised nature that only the lessee is able to use them without making major modifications.

Assets available to Group companies under contracts that fall into the category of finance leases are accounted for as tangible fixed assets at their fair value at the date of purchase or, if lower, at the present value of the minimum payments due under the lease; the corresponding liabilities to the lessor are shown in the Balance Sheet as financial debts. The assets are depreciated over their estimated useful lives.
Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the Income Statement for the period.
Payments under operating lease contracts, on the other hand, are charged to the Income Statement on a straight-line basis over the life of the contract.

Intangible assets
An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably. For intangible assets from business combination the valuation at the date of first consolidation, as better indicated below, is determined according to IFRS 3 as already indicated in the accounting principle *Business Combination*.

Intangible assets with a finite life are valued at purchase or production cost, net of amortisation and accumulated impairment losses. The following useful lives are used in the calculation of amortisation:

• Software:	4 to 8 years
• Customer relationship	36 years
• Trademarks	25 years
• Industrial patents and similar rights:	at maximum, 5 years
• Other intangibles assets:	at maximum, 12 years.

Amortisation is based on the asset's estimated useful life and begins when it is available for use.

Software
The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortisation and any accumulated impairment losses.

Customer Relationship
Customer relationship represents the value of the customer portfolio measured at the acquisition date as determined during the Purchase Price Allocation process according to IFRS 3, and subsequently amortised.

Trademark
Trademark represents the value of the trademark measured at the acquisition date as determined during the Purchase Price Allocation process according to IFRS 3 and subsequently amortised.

Industrial patents and similar rights
Industrial patents, trademarks and similar rights are valued at cost, less amortisation and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to new products are not capitalised because the future economic benefits can only be reliably determined once the products are in the market place.

Goodwill
Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in note 8 - Business combinations.
Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.
For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisitions.

Impairment losses of tangible and intangible fixed assets
If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the recoverable amount of an asset or of a cash-generating unit (that is the higher of its fair value less costs to sell and its value-in-use, determined by discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an investment of comparable risk), and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.
For goodwill and any other intangible fixed assets with indefinite useful life, impairment test is carried out at least once a year.

With the exception of goodwill, if a previous write-down is no longer justified, a new recoverable amount is estimated, providing it is not higher than the carrying value that would have been if the write-down had never been made. This reversal is also booked to the Income Statement.

Biological assets

An agricultural activity is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets. In the context of the Group, a biological asset, represents the plants and fruit trees (hazelnuts trees) owned by an entity. Harvest represents fruit products maturing on biological assets owned by an entity.

Biological assets are stated at cost less accumulated depreciation and any accumulated impairments. Depreciation is charged on a straight-line basis over the natural life of biological assets; the useful life used in the calculation of depreciation is 50 years.

Determining the fair value of financial assets and liabilities

Financial instruments valued at fair value include financial assets and liabilities held for trading, financial assets and liabilities designated at fair value and financial assets available for sale. Disclosed in the notes to the consolidated financial statements, the fair value is also indicated for loans and receivables, for held-to-maturity investments and for other financial liabilities.

In determining the fair value of financial instruments, the Group uses quoted price provided by info providers when the price of the financial instrument is quoted or an active market exists at the time of valuation; in this case the fair value equals the quoted price recorded (mark-to-market).

Valuation of non-derivative financial instruments

The fair value of loans and receivables is considered equal to the carrying amount because all financial instruments of this kind have a maturity generally less than one year.

The valuation of the compound instrument composed by an equity instrument and a liability (convertible subordinated debt) is determined, at the date of issuance, in the following manner:

- the fair value of the liability component is determined on the basis of the contractual stream of cash flows (including both coupon payment and repayments) discounted at a market rate of interest;
- the fair value of the equity instrument is determined in a residual way by the difference between the fair value of the compound instrument as a whole and the fair value of the liability component.

Valuation of derivative financial instruments

Derivative financial instruments are measured at fair value mainly using the Company's software system that has a specific valuation module including a database with observable market inputs (risk-free yield curve, exchange rates, volatility curves, yield curve for different rating classes) which are used for the most common valuation techniques. These market parameters are supplied on a daily basis by specialized financial info-providers. When the Company's software system is not able to provide a reliable valuation of derivative deals, representing particular types of derivative financial instruments, the Group uses the fair value communicated by counterparty bank in order to measure the derivative deals on the consolidated financial statements.
The main types of derivative financial instruments outstanding as at August 31, 2015 are the followings:

- cross currency swaps - valued by counterparty bank;
- currency options (call/put) - valued by the Company's software system;
- forex forwards - valued by the Company's software system;
- futures on commodities.

Financial assets
Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:
- financial assets at fair value through profit or loss" ("FVTPL");
- held-to-maturity ("HTM") investments;
- available-for-sale ("AFS") financial assets;
- loans and receivables ("L&R").

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.
Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.
A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. Net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments
Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.
Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available for sale financial assets
Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value.
Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss.
When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.
Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.
With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.
With respect to AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.
In order to establish whether there is an evidence of impairment for a financial asset, the Group referred to the events indicated by IAS 39.59. For equity securities, in addition to the existence of the events indicated by IAS 39.59, where applicable, the following two events should also be considered (IAS 39.61):
- significant changes with adverse effects in relation to technologies, markets, the economic or legal framework of the issuer, which indicate that the cost of the investment can no longer be recovered;
- a significant or prolonged decline in the fair value of the investment below the level of its cost.

Specifically, the following parameters are considered indicative of the need to recognize impairment in the profit or loss:
- fair value of the security 50% lower than the book value upon initial recording;

or
- fair value lower than the book value for a period of time greater than 2 years.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;

or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;

or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;

or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability (or group of financial liabilities) and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial liability.

Compound instruments

Compound instruments, are classified separately as a financial liability and equity.

On initial recognition, the carrying amount of the liability component has been determined as the fair value of the contractual stream of cash flows (including both coupon payment and repayments) discounted at a market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows on the same terms, but without the conversion options. The subsequent measurement of the liability is at amortised cost and the effective interest is recognised in income statement.

On initial recognition, the equity component (included in the caption "other reserves and net income brought forward") is valued at fair value that is determined in a residual way by the difference between the fair value of the compound instrument as a whole and the fair value of the liability component. The subsequent measurement of the equity component is not subject to variation.

Accounting for derivative financial instruments and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.
Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.
The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

Hedge accounting

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. In some cases, the Group designates as hedging instrument a combination of derivatives and separates the intrinsic value and the time value of an option, with only the intrinsic element designated as hedging instrument.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income.
The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts deferred in other comprehensive income are recycled in profit or loss in the periods when the hedged item is recognized in profit or loss.
Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.
Any cumulative gain or loss deferred in other comprehensive income at that time remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognized immediately in profit or loss.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation - legal or constructive - as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefit

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.
The Group operates defined contribution retirement plans for all qualifying employees of its several subsidiaries.

Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group is reduced by the amount of forfeited contributions.
The only obligation of the Group related to the retirement benefit plan is to make the specified contributions.
Certain Group employees receive leaving indemnities in accordance with the applicable laws of the respective countries in which the Group operates.
The Group's obligations are covered by appropriate provisions and accruals recorded in the balance sheet.
The benefit earned by employees is fully vested at year-end and represents the present value of the Group's liability to employees, net of advance payments.

For the defined-benefit plans the Group's responsibility is to finance the pension funds and the annual cost recognised in the Income Statement are calculated on the basis of actuarial valuations that use the projected unit credit method.
The liability relating to benefits to be recognised on termination of employment recorded in the balance sheet represents the present value of the defined-benefit obligation, less the fair value of the plan assets. Any net assets determined are recognised at the lowest of their value and the present value of available repayments and reductions of future contribution to the plan.

The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

According to the amendment to IAS 19 "Employee Benefits" effective as of January 1, 2013, the Group recognises actuarial gains and losses and books them to "Other Comprehensive Income" immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the balance sheet. The amendment further requires any changes in the defined benefit provision and plan assets over the previous period to be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the re-measurement of assets and liabilities must be booked to "Other Comprehensive Income".

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the Income Statement (under service costs). In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the Income Statement (under service costs).

The costs relating to defined-contribution plans are booked to the Income Statement when incurred.

Revenue recognition
Revenues from the sale of products are measured at the fair value and are recognised at the time ownership passes (time of risks and benefits transfer), which is generally upon shipment to the customer. They are shown net of estimated customer returns, rebates, discounts and similar allowance.
In particular, revenues from the sale of goods are recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group applies IFRIC 13, Customer Loyalty Programmes, which defines the accounting treatment for entities that grant loyalty award credits to customers who buy other goods or services. The amount of proceeds allocated to the award credits is measured by reference to their fair value, that is, the amount for which the award credits could have been sold separately. The entity shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations. There is no significant impact on the Group financial statements coming from the application of this interpretation.

Revenues from services rendered are recognised at the time the services are provided.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.
Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Taxation

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Deferred taxes

Deferred taxes are calculated on the temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised. The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.
Deferred tax liabilities are recognised based on temporary taxable differences on investments in subsidiaries, associates and joint ventures, unless a company is able to control the timing of the reversal of the temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future.
Current and deferred taxes are recognised in the Income Statement, except for those relating to items directly charged or credited to Other Comprehensive Income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

6. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in previous note 5, Group Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.
The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.
Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Business combinations

Accounting for business combinations requires the allocation of the purchase price to the various assets and liabilities of the acquired business at their respective fair values. Any positive residual difference is recognized as "Goodwill". Negative residual differences are credited to the profit or loss account. Management uses all available information to make these fair value determinations.

Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

Determining the recoverability of property plant and equipment requires, among other matters, an estimation of future production output and changes in technology. The Group reviews the estimated useful lives of property, plant and equipment periodically or at the end of each annual reporting period using several statistical, historical and judgemental factors.

Recoverability of non-current assets

Assets are impaired when there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. Such impairment indicators include changes in the Group's business plans, changes in commodity prices leading to unprofitable performance, and a reduced utilization of the plants. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain and complex matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply.
The amount of an impairment loss is determined by comparing the book value of an asset with its recoverable amount. The recoverable amount is the greater of fair value net of disposal cost or the value in use.
The estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment analyses are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate, which considers the risks specific to the asset.
The discount rate reflects the current market valuation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows.

Goodwill

Goodwill is not subject to amortization. The Group tests for impairment of such assets at the cash-generating unit level on an annual basis and whenever there is an indication that it may be impaired. In particular, goodwill impairment is based on the lowest level (cash generating unit) to which goodwill can be allocated on a reasonable and consistent basis. A cash-generating unit is the smallest aggregate on which the Group, directly or indirectly, evaluates the return on the capital expenditure. If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is lower than the amount of the impairment loss, the assets of the cash generating unit are impaired pro-rata on the basis of their carrying amount for the residual difference.

Allowance for doubtful accounts

The recoverability of receivables is assessed by taking into account the risk of non-collection, their age and the credit losses experienced in the past for similar types of receivables.

Pension and other post-employment obligations

The retirement benefit obligations recognized on the balance sheet related to the defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date.

Key assumptions involved in the determination of the present value of the defined benefit obligations include discount rates and inflation rates of pensions to be paid. Changes in any of these assumptions could materially change the retirement benefit obligations recognized in the balance sheet.

Provisions for liabilities and charges

Provisions for commercial risks, customer returns, promotion costs and discounts are principally based on assumptions regarding the business risks, as well as historical claims experience. Estimates of the future costs of these actions are inevitably imprecise and may result in adjustments to the established provisions due to various uncertainties.

The amounts set aside for legal, tax and administrative disputes are the result of a complex estimating process that also takes into account the probability of a negative outcome of the proceedings. The Group monitors the status of pending litigation and relies on the advice of counsel and other legal and tax experts. Consequently, it is possible that amount of the provisions for judicial proceedings and litigation may vary depending on future developments of pending proceedings.

Income taxes

The Group is subject to income taxes in numerous countries. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the final tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recoverability of deferred tax assets

Deferred tax assets have been recorded on the premise that it is probable that the Group will be able to generate sufficient and suitable future taxable income from which the assets can be utilized. If the Group is unable to generate sufficient taxable income in certain jurisdictions, or if there is a significant change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, the Group could be required to increase its valuation allowances against its deferred tax assets, resulting in an increase in its effective tax rate and an adverse impact on future operating income.

Fair value of assets and liabilities from Business Combination

Assets and liabilities recorded following a Business Combination are stated at the fair value at the date of the combination according to IFRS 3; the fair value is determined using projection of the future cash flow generated from the assets and liabilities that are subject to the uncertainties attributable to the realization of future events; had the actual results different from the projection, the assets and liabilities should be adjusted in the "firs year window" while after the first year could imply the recognition of impairment in case the actual results are worst that the projections adopted at the acquisition date.

Accounting for derivative financial instruments and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

Hedge accounting
At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income.
The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts deferred in other comprehensive income are recycled in profit or loss in the periods when the hedged item is recognized in profit or loss.
Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.
Any cumulative gain or loss deferred in other comprehensive income at that time remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognized immediately in profit or loss.

7. Risk Management
Due to its global operations, the Group is exposed to a number of business risks.
Management's objective is to minimise the impact of the financial risks on the operating and net income for the reporting period.

Financial Risk Management
The Group has adopted a Financial Risk Management policy to mitigate its exposure to financial risks, more specifically, market risks.

Liquidity risk
Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets in the market place to meet short-term finance requirements and to settle obligations.
The exposure to liquidity risk is managed by the Group's Management mainly through the use of the Company's systems. The Group analyses, at the relevant date, the inflows and outflows of financial instruments with the related gap analysis for each maturity. This analysis is based on exchange and risk-free curves applicable at the reporting date and is related to the range of maturities relevant for the Group.

Market risk
Market risk is the possibility that changes in market parameters, such as currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets and liabilities. The Group's reporting currency is Euro. The main type of risk managed by the Group is related to currency exchange fluctuations from the purchases of raw materials and sales of goods denominated in foreign currencies. Subsidiaries, in conjunction with the Group central functions, use forward and option instruments in order to hedge against foreign exchange risks from expected trade receivables or payables for goods and services.

Interest rate risk
Interest rate risk is the possibility of a reduction in the value of a security resulting from an increase in interest rates.
The Group adopts all the necessary measures in order to minimize this specific risk, although it is not relevant to the Group's activities.

(amounts in thousands of Euro, unless differently stated)

Exchange rate risks

The Group's reporting currency is the Euro, which is exposed to fluctuations in foreign exchange rates, primarily with respect to the various dollar currencies.

The Group's subsidiaries, in accordance with the policies of the Group's Corporate Financial functions, use forward and option instruments (mainly cash flow hedge instruments) in order to hedge against foreign exchange risks from expected trade receivables or payables for goods and services.

The Group's subsidiaries enter into spot, forward and option instruments, in accordance with the Group's Corporate Financial functions.

On August 31, 2015, the potential after tax effects on the consolidated income statement and on the consolidated equity of a change in the Euro against the foreign currencies with all other conditions remaining equal would have been:

	NET INCOME		EQUITY RESERVES	
	+10%	-10%	+10%	-10%
After tax impact	(81.319)	99.390	9.459	(11.561)

Commodity price risk

The Group's products are manufactured with raw materials (commodities) that are subject to strong price fluctuations due to climatic conditions, seasonal demand and market speculations.

In order to mitigate the price and quality risk of the expected future net demand, the Group's Procurement Function enters into commercial agreements with suppliers to stabilize the supply of delivery of the raw materials and into financial derivatives contracts with financial institutions (cash flow hedge instruments).

Fair value hierarchy

For financial instruments recorded at fair value, IFRS 13 requires these instruments to be classified on a fair value hierarchy which reflects the significance of the inputs used in determining the fair value. The levels used in the hierarchy are:

- Level 1: inputs are quoted prices in active markets for the assets or liabilities being measured;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) on the market;
- Level 3: inputs that are not based on observable market data.

	Balance at the end of the year 2015	Level 1	Level 2	Level 3
Partecipating Interests	51.913	51.913		
Permanent bonds and other non current securities (AFS)	8.079	8.079		
Bonds and current securities (AFS)	6.034	6.034		
Forward foreign exchange contracts (cash flow hedge)	39.939	26.943	12.996	
Total financial assets at fair value	**105,965**	**92,969**	**12,996**	-
Forward foreign exchange contracts (cash flow hedge)	68.701	3.561	65.140	
Other not effective financial derivatives	2.058	-	2.058	
Total financial liabilities at fair value	**70,759**	**3,561**	**67,198**	-

There have been no significant transfers between the different hierarchy levels in financial year 2015.

(amounts in thousands of Euro, unless differently stated)

Credit risk
Credit risk is the potential exposure of the Group to losses when counterparties fail to perform or pay amounts due. In relation to counterparty risk for commercial transactions, the Group adopts all the necessary financial instruments and procedures in order to minimize this specific risk and the credit worthiness of its counterparties is managed and monitored by Management.

8. Business Combinations

In order to enhance the control on its supply chain of hazelnuts, in February 2015, the Group acquired, through its subsidiary Ferrero Trading Lux S.A., the 100% controlling interest in the Oltan Group, a worldwide leading operator in the procurement, processing and marketing of hazelnuts.

In August 2015, the Group, through a recommended cash offer managed by its subsidiary Ferholding UK Ltd, was completing the acquisition of Thorntons Plc., a leading British company operating in the chocolate confectionery industry. The 100% of the controlling interest has been taken into consideration in consolidating Thorntons Plc as of August 31, 2015.

Details of the acquisitions are disclosed in the following table:

	Oltan Group	Thorntons Plc
Total consideration (A)	256,610	139,537
Fair Value of net assets acquired (B)	158,152	84,238
Goodwill (A) - (B)	98,458	55,299

Details of the fair values of the assets/liabilities acquired are as follows:

	Oltan Group	Thorntons Plc
Property, plant and equipment	40,576	87,158
Intangible assets	116,683	86,149
Inventory	232,689	75,599
Trade and other receivables	96,211	23,514
Trade and other payables	(123,048)	(40,299)
Provisions, employee benefits and deferred taxes	(28,519)	(72,161)
Financial debt	(186,458)	(81,179)
Cash and cash equivalents	10,018	5,457
Fair Value of net assets acquired	158,152	84,238

The acquisitions of Oltan Group and Thorntons Plc have given rise to € 98,458 and € 55,299 in goodwill respectively.

The Financial debts related to the above mentioned acquired entities are mainly due within one year.

Moreover, in March 2015, Ferrero International S.A. acquired for € 15,328 the 100% controlling interest in the Belgian company Eurobase International NV operating in the gum base industry. The fair value of the net assets acquired was € 6,857. The acquisition has given rise to € 8,471 in goodwill.

(amounts in thousands of Euro, unless differently stated)

Acquisition-related costs for these business combinations have been recognized in the Consolidated Income Statement for an amount of € 6,272.

As result of the control achieved through these acquisitions, Oltan Group has been fully consolidated starting from March 1, 2015, Eurobase International NV starting from April 1, 2015 and Thorntons Plc starting from August 31, 2015 with no impact on the consolidated income statement of the year.

In the year ended as at August 31, 2015, the total contribution of the companies acquired to the Consolidated Net Sales and Net Income of the year has been of € 192,248 and € 2,725 respectively.

9. Net sales

Net sales, primarily from the confectionery business, are detailed by geographical region as follows:

	2015	2014
Europe	6.895.147	6.409.198
Americas	1.193.748	991.262
Others	1.452.877	1.011.978
	9,541,772	**8,412,438**

10. Other revenues

In the years ended as at August 31, 2015 and 2014, other revenues are detailed as follows:

	2015	2014
Recharged costs and services rendered	46,106	25,662
Government grants	30,883	28,671
Capital gain on sales of non current assets	9,247	6,748
Rental revenues	706	842
Other operating revenues	429,738	371,729
	516,680	**433,652**

Other operating revenues are mainly comprised of revenues earned from the Energy business.

11. Cost of revenues

Cost of services

Cost of services are detailed as follows:

	2015	2014
Selling, general and administrative expenses	2,235,397	2,096,866
Industrial services costs	596,932	537,085
	2,832,329	**2,633,951**

(amounts in thousands of Euro, unless differently stated)

Selling, general and administrative expenses mainly include advertising and promotion costs, logistics and distribution costs, general and administrative expenses, marketing costs and rental costs.

Personnel costs
Personnel costs are detailed as follows:

	2015	2014
Salary and wages	1,080,775	1,008,015
Social security costs	238,161	225,486
Provisions for employee benefits	33,112	23,740
Other personnel costs	157,340	156,812
	1,509,388	**1,414,053**

Other personnel costs include expenses mainly related to personnel training, recruiting, travelling and insurance.

As of August 31, 2015, Ferrero Group headcount amounted to 33,219 as compared to 27,457 as of August 31, 2014. The average number of personnel during the year 2014/2015 was 25,784 (24,836 in 2013/2014).

12. Taxation

Reconciliation of effective and expected taxation for each year is as follows:

	2015	2014
Income before tax	**889,263**	**907,287**
Expected Group's income taxation calculated at domestic rates applicable to income in respective countries (*)	**244,226**	**248,255**
Permanent differences arisen during the period	(12.592)	5.168
Change in applicable tax rates on opening temporary differences	26	53
Temporary differences arisen during the period	6.129	(3.247)
Tax losses arisen during the period	15.022	1.674
Translation gains/(losses) and other taxable base differences	92.306	(1.900)
Income taxes, net of differences on local taxes	**345,117**	**250,003**
Differences on local taxes	30.503	21.390
Income taxes	**375,620**	**271,393**

(*) Based on expected Group's weighted average corporate tax rate of 27.5% (27.4% in 2013/2014).

(amounts in thousands of Euro, unless differently stated)

Other taxable base differences include accruals and provisions due to settlements with authorities regarding tax audits on some previous years of certain Group Companies.

Deferred tax assets and liabilities

Deferred tax assets are detailed as follows:

Deferred Tax Assets due to:	Balance at the beginning of the year 2015	Net increase / (decrease) 2015	Currency translation differences and other movements 2015	Balance at the end of the year 2015
Provision	27,303	1,371	(911)	27,763
Employee Benefits	16,413	(489)	10,447	26,371
Inventory	6,032	1,953	(279)	7,706
Recognized tax assets	19,564	(14,930)	1,629	6,263
Property, plant and equipment	3,790	860	1,124	5,774
Financial Derivatives	2,397	(1,211)	68	1,254
Revenue recognition	1,606	(945)	264	925
Biological Assets	936	(75)	(52)	809
Advertising expenses	470	273	(153)	590
Intangible Assets	851	(284)	(22)	545
Other	23,226	4,140	660	28,026
Total deferred tax assets	**102,588**	**(9,337)**	**12,775**	**106,026**

Deferred tax liabilities are detailed as follows:

Deferred Tax Liabilities due to:	Balance at the beginning of the year 2015	Net increase / (decrease) 2015	Currency translation differences and other movements 2015	Balance at the end of the year 2015
Property, plant and equipment	206,613	(13,577)	52,081	245,117
Intangible Assets	9,448	(151)	24,337	33,634
Inventory	5,469	4,317	(213)	9,573
Financial Derivatives	1,943	7,275	(35)	9,183
Provisions	21,993	10,058	(31,366)	685
Financial Assets and Liabilities	-	662	(63)	599
Other	6,276	8,443	(517)	14,202
Total deferred tax liabilities	**251,742**	**17,027**	**44,224**	**312,993**

Other movements in deferred tax assets and deferred tax liabilities include the impact of business combinations disclosed in note 8.

(amounts in thousands of Euro, unless differently stated)

13. Property, plant and equipment

Changes in property, plant and equipment are detailed as follows:

	Land and Buildings 2015	Plant & Machinery 2015	Equipment 2015	Other tangible assets 2015	Advances to Suppliers and Tangible in progress 2015	**Total 2015**	**Total 2014**
Cost or valuation at the beginning of the year	1,172,532	3,284,780	783,935	318,882	196,747	**5,756,876**	**5,435,203**
Additions	73,906	212,050	93,845	20,952	155,835	**556,588**	**458,155**
Disposals	(6,836)	(2,093)	(5,949)	(12,684)	(1,369)	**(28,931)**	**(74,475)**
Translation adjustments and other changes	31,105	288,773	(128,362)	42,985	(64,328)	**170,173**	**(62,007)**
Cost or valuation at the end of the year	*1,270,707*	*3,783,510*	*743,469*	*370,135*	*286,885*	**6,454,706**	**5,756,876**
Accumulated depreciation at the beginning of the year	(225,334)	(1,645,944)	(579,848)	(240,924)	-	**(2,692,050)**	**(2,511,505)**
Depreciation of the year	(21,706)	(227,056)	(30,295)	(23,561)	-	**(302,618)**	**(275,825)**
Disposals	3,531	2,891	2,564	12,180	-	**21,166**	**64,720**
Translation adjustments and other changes	(23,833)	(164,826)	69,289	(39,369)	-	**(158,739)**	**30,560**
Accumulated depreciation at the end of the year	*(267,342)*	*(2,034,935)*	*(538,290)*	*(291,674)*	-	**(3,132,241)**	**(2,692,050)**
Carrying amount at the end of the year	**1,003,365**	**1,748,575**	**205,179**	**78,461**	**286,885**	**3,322,465**	**3,064,826**

	Land and Buildings 2014	Plant Machinery 2014	Equipment 2014	Other tangible assets 2014	Advance to suppliers and Tangible in progress 2014	**Total 2014**	**Total 2013**
Cost or valuation at the beginning of the year	1,115,343	3,016,684	780,660	311,700	210,816	**5,435,203**	**5,138,531**
Additions	24,839	118,100	35,862	14,358	264,996	**458,155**	**472,719**
Disposals	(6,916)	(36,139)	(10,270)	(20,986)	(164)	**(74,475)**	**(56,091)**
Translation adjustments and other changes	39,266	186,135	(22,317)	13,810	(278,901)	**(62,007)**	**(119,956)**
Cost or valuation at the end of the year	*1,172,532*	*3,284,780*	*783,935*	*318,882*	*196,747*	**5,756,876**	**5,435,203**
Accumulated depreciation at the beginning of the year	(208,699)	(1,513,386)	(558,516)	(230,904)	-	**(2,511,505)**	**(2,312,759)**
Depreciation of the year	(21,463)	(185,003)	(40,208)	(29,151)	-	**(275,825)**	**(284,074)**
Disposals	2,868	33,609	9,596	18,647	-	**64,720**	**39,482**
Translation adjustments and other changes	1,960	18,836	9,280	484	-	**30,560**	**45,846**
Accumulated depreciation at the end of the year	*(225,334)*	*(1,645,944)*	*(579,848)*	*(240,924)*	-	**(2,692,050)**	**(2,511,505)**
Carrying amount at the end of the year	**947,198**	**1,638,836**	**204,087**	**77,958**	**196,747**	**3,064,826**	**2,923,698**

The recoverable amounts of the relevant assets have been determined on the basis of their value in use. During the year, no indicators of impairment of the tangible assets were identified requiring an impairment test.

Other changes in property, plant and equipment include the impact of business combinations disclosed in note 8.

(amounts in thousands of Euro, unless differently stated)

14. Intangible assets

Changes in Intangible assets are detailed as follows:

	Software Costs 2015	Industrial patents, trademarks and similar rights 2015	Other intangible assets 2015	Advances to Suppliers and Intangible in progress 2015	**Total 2015**	**Total 2014**
Gross value at the beginning of the year	446,318	6,041	14,135	36,124	**502,618**	**445,233**
Additions	57,991	49	191	18,528	**76,759**	**71,392**
Disposals	(4,447)	-	(88)	(306)	**(4,841)**	**(2,076)**
Translation adjustments and other changes	83,467	82,310	101,092	(30,933)	**235,936**	**(11,931)**
Gross value at the end of the year	*583,329*	*88,400*	*115,330*	*23,413*	**810,472**	**502,618**
Accumulated Amortization at the beginning of the year	(317,532)	(2,234)	(4,465)	-	**(324,231)**	**(306,050)**
Amortization of the year	(41,776)	(184)	(2,622)	-	**(44,582)**	**(34,721)**
Disposals	4,475	-	97	-	**4,572**	**1,632**
Translation adjustments and other changes	(52,810)	(269)	2,181	-	**(50,898)**	**14,908**
Accumulated depreciation at the end of the year	*(407,643)*	*(2,687)*	*(4,809)*	-	**(415,139)**	**(324,231)**
Carrying amount at the end of the year	**175,686**	**85,713**	**110,521**	**23,413**	**395,333**	**178,387**

	Software Costs 2014	Industrial patents, trademarks and similar rights 2014	Other intangible assets 2014	Advance to suppliers and Intangible in progress 2014	**Total 2014**	**Total 2013**
Gross value at the beginning of the year	414,614	2,540	7,965	20,114	**445,233**	**409,472**
Additions	30,455	3,522	900	36,515	**71,392**	**42,904**
Disposals	(1,298)	(84)	(662)	(32)	**(2,076)**	**(4,007)**
Translation adjustments and other changes	2,547	63	5,932	(20,473)	**(11,931)**	**(3,136)**
Gross value at the end of the year	*446,318*	*6,041*	*14,135*	*36,124*	**502,618**	**445,233**
Accumulated Amortization at the beginning of the year	(298,029)	(2,143)	(5,878)	-	**(306,050)**	**(281,923)**
Amortization of the year	(33,096)	(135)	(1,490)	-	**(34,721)**	**(30,331)**
Disposals	1,269	33	330	-	**1,632**	**3,182**
Translation adjustments and other changes	12,324	11	2,573	-	**14,908**	**3,022**
Accumulated Amortization at the end of the year	*(317,532)*	*(2,234)*	*(4,465)*	-	**(324,231)**	**(306,050)**
Carrying amount at the end of the year	**128,786**	**3,807**	**9,670**	**36,124**	**178,387**	**139,183**

The amortization of the year has been included in the line item "Amortization and Depreciation" in the consolidated income statement. During the year, no indicator of impairment of the intangible assets were identified requiring an impairment test.

Other changes in Intangible assets include the impact of business combinations disclosed in note 8.

(amounts in thousands of Euro, unless differently stated)

15. Biological assets

As of August 31, 2015 the net carrying amount of biological assets was € 50,655 (August 31, 2014: € 46,089). The net increase of € 4,566 is due to additions, mainly related to hazelnuts trees, net of disposals for € 10,106, depreciation charges for € 1,575 and negative exchange currency translation and other movements for € 3,965.

16. Investments and securities

For the year ended as at August 31, 2015, the changes in investments and other non-current securities are detailed as follows:

	Balance at the begining of the year 2015	Increases 2015	Decreases 2015	Revaluation/ (devaluation) and other changes 2015	Balance at end of the year 2015
Permanent bonds and other non current securities (HTM)	202,907	38,309	-	-	241,216
Participating interests	38,781	-	(33)	13,165	51,913
Investments in Joint Ventures	20,282	-	(1,245)	13,891	32,928
Permanent bonds and other non current securities (AFS)	7,812	267	-	-	8,079
Investments and securities	**269,782**	**38,576**	**(1,278)**	**27,056**	**334,136**

In the previous financial year, ended as at August 31, 2014, the changes in investments and other non-current securities are detailed as follows:

	Balance at the begining of the year 2014	Increases 2014	Decreases 2014	Revaluation/ (devaluation) and other changes 2014	Balance at end of the year 2014
Permanent bonds and other non current securities (HTM)	190,702	53,544	(47,550)	6,211	202,907
Participating interests	27,629	-	-	11,152	38,781
Investments in Joint Ventures	16,020	-	(3,185)	7,447	20,282
Permanent bonds and other non current securities (AFS)	7,812	-	-	-	7,812
Investments and securities	**242,163**	**53,544**	**(50,735)**	**24,810**	**269,782**

Group's main participating interest is as follows:

	Country of Domicile	**Legal seat**	**Percentage of ownership**	**Method of accounting**
Mediobanca S.p.A.	Italy	Milan	0.66%	Fair value

This investment is not consolidated as it concerns minority interests, where the Company has no management influence. In addition, the above mentioned Company has a year-end different from the Group's year end.

(amounts in thousands of Euro, unless differently stated)

17. Other non-current financial assets

At August 31, 2015, other non-current financial assets were € 37,411 (August 31, 2014: € 25,904), mostly due between 1 to 5 years and are detailed as follows:

	2015	2014
Employees benefit assets	29.384	20.209
Pledged cash deposits	6.048	5.426
Other non current financial assets	1.979	269
	37,411	**25,904**

18. Inventory

Inventory is comprised of raw materials, semi-finished and finished products, including work in progress and payments on account. Inventory by category is detailed as follows:

	2015	2014
Raw materials and supplies	1.101.638	901.802
Work in progress	216.506	142.626
Finished products and consumables	771.734	561.315
Payments on account	2.101	23.127
Total gross value	*2,091,979*	*1,628,870*
Inventory obsolescence reserve	(78.455)	(56.734)
	2,013,524	**1,572,136**

The changes in the provision for inventory obsolescence are detailed as follows:

	2015	2014
Balance at beginning of year	**56,734**	**39,765**
Provision for the year	99,150	58,881
Decrease in allowance	(75,794)	(44,224)
Translation (gain) loss	(1,635)	2,312
Balance at the end of the year	**78,455**	**56,734**

(amounts in thousands of Euro, unless differently stated)

19. Trade and other commercial receivables

Trade and other commercial receivables are detailed as follows:

	2015	2014
Trade receivables	1.113.455	996.287
Other commercial debtors	83.385	52.272
Total gross value	*1.196.840*	*1.048.559*
Allowance for doubtful debts	(35,979)	(29.632)
	1,160,861	**1,018,927**

Other commercial debtors include disputed debtors, invoices to be issued and advances to suppliers related to services.

The following table represents the ageing of trade and other commercial receivables at August 31, 2015:

	Trade Receivables	Other Commercial Debtors	Total
Not yet overdue - due within 1 year	968,404	69,838	**1,038,242**
Not yet overdue - due in 1 to 5 years	456	419	**875**
Not yet overdue	*968,860*	*70,257*	***1,039,117***
Overdue - less than 3 months	111,761	7	**111,768**
Overdue - between 3 months and 6 months	4,329	22	**4,351**
Overdue - between 6 months and 1 year	11,560	490	**12,050**
Overdue - more than 1 year	16,945	12,609	**29,554**
Overdue	*144,595*	*13,128*	***157,723***
	1,113,455	**83,385**	**1,196,840**

Changes in the allowance for doubtful debts are detailed as follows:

	2015	2014
Balance at beginning of year	**29,632**	**28,740**
Amounts written off during the period	12,720	15,748
Decrease in allowance recognized in the Income Statement	(6,722)	(17,965)
Translation loss	349	3,109
Balance at the end of year	**35,979**	**29,632**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted through the reporting date.

The concentration of credit risk is limited due to the customer base being large and unrelated.
Accordingly, Management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

The carrying amount of trade and other commercial receivables is considered in line with their fair value.

(amounts in thousands of Euro, unless differently stated)

20. Other current receivables

Other current receivables is detailed as follows:

	2015	2014
VAT receivables	258,504	248,055
Tax receivables	82,474	71,519
Receivables for social security	6,217	3,106
Total tax, VAT and social securities receivables	*347,195*	*322,680*
Accrued income and prepaid expenses	89,902	78,161
Receivables towards personnel	5,736	6,940
Other receivables	42,281	46,935
Total other receivables	*137,919*	*132,036*
	485,114	**454,716**

The following table presents the ageing of other current receivables at August 31, 2015:

	Tax, VAT and Social Securities Receivables	Other Receivables	Total
Not yet overdue - due within 1 year	343,061	135,694	**478,755**
Not yet overdue - due in 1 to 5 years	4,134	1,208	**5,342**
Not yet overdue	*347,195*	*136,902*	**484,097**
Overdue - less than 3 months	-	514	**514**
Overdue - between 3 months and 6 months	-	4	**4**
Overdue - between 6 months and 1 year	-	103	**103**
Overdue - more than 1 year	-	396	**396**
Overdue	-	*1,017*	**1,017**
	347,195	137,919	485,114

21. Bonds and current securities

Marketable bonds and securities are classified as Available for Sale (AFS) and are evaluated at their market value. The related carrying amount at August 31, 2015 is € 6,034 (August 31, 2014: € 6,755), with maturity within one year.

(amounts in thousands of Euro, unless differently stated)

22. Financial derivatives

Financial derivatives are detailed as follows:

	2015		2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Forward foreign exchange contracts (cash flow hedge)	39.939	68.701	31.606	34.022
Other not effective financial derivatives	-	2.058	11.612	7.521
	39,939	70,759	43,218	41,543

All the financial derivatives have maturity within one year.

At August 31, 2015, the potential effect of net financial derivatives on the consolidated income statement and on equity of a change in the Euro against the foreign currencies, with all other conditions remaining equal would have been (amounts net of tax impact):

	NET INCOME		EQUITY RESERVES	
	+ 10%	- 10%	+ 10%	- 10%
Forward foreign exchange contracts (cash flow hedge) (after taxt impact)	-	-	23.997	(30 402)
Other not effective financial derivatives (after taxt impact)	(32 044)	43.924	-	-

23. Issued capital and Shareholders' equity

Details of items and change during current and previous year of equity are illustrated in the Consolidated Statement of Changes in Equity.

Share capital

At August 31, 2015, the Share Capital amounted to € 138,000, unchanged from the previous year, and is represented by 3,000,000 shares with a par value of € 46 each, comprised of 12 non-cumulative five percent preference shares and 2,999,988 common shares.

Authorized capital

The authorized capital is set at € 230,000, represented by 5,000,000 shares with a par value of € 46 each, comprised of 1,000 non-cumulative five percent preference shares and 4,999,000 common shares.

Legal reserve

In accordance with Luxembourg law, at least five percent of the annual net income must be allocated to a legal reserve until such reserve equals ten percent of the issued share capital.
The legal reserve is not available for distribution.

Share premium

The share premium account of € 1,320,116 was paid in through a contribution in kind on the incorporation of the Company in September, 1997.

Cash flow hedge reserve

The Cash Flow Hedge reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges.
The change of this reserve, including the recognizing income expenses, is represented into the Consolidated Statement of Other Comprehensive Income.

Actuarial gain & losses reserve

The actuarial gain & losses reserve represents actuarial gain and losses on defined benefit obligations arising from experience adjustments and changes in actuarial assumptions.
The change in the reserve, including the recognition of income and expenses, is included in the Consolidated Statement of Other Comprehensive Income.

Financial assets available for sale reserve
The Financial Assets available for sale reserve arises on the revaluation of available-for-sale financial assets.
Where a revaluated financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognized in profit or loss.
Where a revaluated financial asset is impaired, the portion of the reserve that relates to that financial asset is recognized in profit or loss.
The change in the reserve, including the recognition of income and expenses, is included Consolidated Statement of Other Comprehensive Income.

Foreign currency translation reserve
Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into currency units (Euro) are brought to account by entries made directly to the foreign currency translation reserve.
Gains and losses on hedging instruments that are designated as hedges on net investments in foreign operations are included in the foreign currency translation reserve.

Other reserves and net income brought forward
During the year the Shareholders of the Company decided to distribute a dividend out of the net income brought forward and of extraordinary and free reserve of € 800,000 in the current financial year. More details are disclosed in note 28 - Debt owed to Shareholders.

24. Minority interest
The changes in minority interests are detailed in the Consolidated Statement of Changes in Equity.

(amounts in thousands of Euro, unless differently stated)

25. Employee benefit plans

The changes in Employee benefit plans are detailed as follows:

	Balance at the beginning of the year 2015	Increase 2015	Decrease and actuarial (gains)/losses 2015	Translation Adjustments and other changes 2015	Balance at the end of the year 2015
Provision for defined benefit plans	202.727	34.572	(38.764)	53.204	251.739
Personnel leaving indemnities	1.810	198	(1.340)	1.280	1.948
Other personnel provisions	58.146	35.641	(37.808)	4.430	60.409
	262,683	**70,411**	**(77,912)**	**58,914**	**314,096**

	Balance at the beginning of the year 2014	Increase 2014	Decrease and actuarial (gains)/losses 2014	Translation Adjustments and other changes 2014	Balance at the end of the year 2014
Provision for defined benefit plans	185.829	29.433	8.091	(20.626)	202.727
Personnel leaving indemnities	1.928	3.629	(1.307)	(2.440)	1.810
Other personnel provisions	62.374	33.392	(35.360)	(2.260)	58.146
	250,131	**66,454**	**(28,576)**	**(25,326)**	**262,683**

Other changes in Employee benefit plans include the impact of business combinations disclosed in note 8.

The following table presents the ageing of Employee Benefit Plans accounts as at August 31, 2015:

	Employee Benefit Plan
Not later than 1 year	1,643
Later than 1 to 5 years	244,065
Later than 5 years	68,388
	314,096

The principal assumptions used for the purposes of the actuarial valuations for the defined benefit plan were as follows:

	2015	2014
Discount rates	0.30% - 8.00%	0.40% - 8.80%
Expected rates of salary increase	0.09% - 5.00%	2.00% - 15.00%
Expected rates of price inflation	1.25% - 3.50%	1.50% - 3.50%

Discount rates for existing plans in companies based in European Union have been based on yield of Euro Government AA bonds with a comparable duration to the one of each single plan.

(amounts in thousands of Euro, unless differently stated)

Amounts recognized in profit or loss related to the defined benefit plans are as follows:

	2015	2014
Current service cost	6.348	4.555
Interest on obligation	5.325	6.720
Expected return on plan assets	(1.705)	(1.784)
Actuarial losses/(gains) recognized in the year	(348)	2.185
Past service cost	(1.855)	(221)
Losses/(gains) arising from settlements	(80)	-
Administration Costs and Taxes	43	38
Cost of Termination Benefits	-	37
Net pension expense/income	**7,728**	**11,530**

The amount included in the balance sheet arising from the entity's obligation related to the defined benefit plans is as follows:

	2015	2014
Present value of unfunded defined benefit obligation	132.731	131.420
Present value of funded defined benefit obligation	119.008	71.307
Total present value of defined benefit obligation	251.739	202.727
Fair value of plan assets	(29.384)	(20.209)
Net liability arising from defined benefit obligation	**222,355**	**182,518**

Changes in the present value of the Net defined benefit obligations in the current year were as follows:

	2015
Opening Net defined benefit obligation	**182,518**
Net pension expense/(income)	7.728
Employer contributions	(2.250)
Actuarial losses on recognized income and expense	(3.859)
Exchange differences on foreign plans	(5.356)
Benefits paid	(10.075)
Other movements	53.649
Closing Net defined benefit obligation	**222,355**

Changes in the present value of the plan assets in the current year were as follows:

	2015
Opening fair value of plan assets	**20,209**
Expected return on plan assets	1.705
Asset gains	1.334
Exchange differences on foreign plans and other movements	4.250
Contributions from the employer	12.325
Contributions from plan participants	302
Benefits paid	(10.408)
Assets distributed on settlements	(333)
Closing fair value of plan assets	**29,384**

(amounts in thousands of Euro, unless differently stated)

26. Provisions

In the current year, ended as at August 31, 2015, Provisions for liabilities and charges are detailed as follows:

	Balance at the beginning of the year 2015	Increase 2015	Decrease 2015	Translation Adjustments and other changes 2015	Balance at the end of the year 2015
Promotions costs and discounts	74,381	130,381	(129,298)	(1,255)	74,209
Returns	15,696	75,894	(73,450)	(580)	17,560
Provision for commercial risks	990	17,234	(4,738)	(133)	13,353
Other Provisions	81,791	182,949	(122,870)	8,084	149,954
	172,858	**406,458**	**(330,356)**	**6,116**	**255,076**

In the previous financial year, ended as at August 31, 2014, the changes in Provisions for liabilities and charges were as represented in the following table:

	Balance at the beginning of the year 2014	Increase 2014	Decrease 2014	Translation Adjustments and other changes 2014	Balance at the end of the year 2014
Promotions costs and discounts	79,135	138,595	(143,435)	86	74,381
Returns	14,788	69,615	(68,454)	(253)	15,696
Provision for commercial risks	2,678	258	(1,942)	(4)	990
Other Provisions	61,052	45,170	(23,110)	(1,321)	81,791
	157,653	**253,638**	**(236,941)**	**(1,492)**	**172,858**

Other provisions include unsettled claims as well as legal, tax and administrative proceedings, which arise during the normal course of business.

Provisions are recorded by Management on various contingencies taking into consideration appropriate legal and expert advice; the outcome of these risks will not give rise to any significant loss beyond the amounts provided at August 31, 2015.

Other changes in Provisions include the impact of business combinations disclosed in note 8.

The following table details the expected timing of the outflow of provisions at August 31, 2015:

Not later than 1 year	98,271
Later than 1 to 5 years	156,252
Later than 5 years	553
	255,076

(amounts in thousands of Euro, unless differently stated)

27. Banks and financial liabilities

Banks and financial liabilities are detailed as follows:

Non current financial liabilities

	2015	2014
Bank loans	135,854	27,443
Financial loans	8,674	8,266
	144,528	**35,709**

Current financial liabilities

	2015	2014
Bank overdrafts	313,284	96,649
Current portion of bank loans	86,896	9,217
Financial loans	996,516	683,481
	1,396,696	**789,347**

Banks and financial liabilities are denominated in several foreign currencies, mainly in the Euro, bearing interest rates between 0.00% and 1.85% (between 0.17% and 2.73% in 2014).
Non-current portions of banks and financial liabilities present a maturity not to exceed 5 years (remaining period between 1 and 5 years).

28. Debt owed to Shareholders

On December 18, 2006, the Shareholders of Ferrero International S.A. approved a dividend distribution for € 1,520 million. The dividend resulted in a cash payment to Shareholders of € 170 million, with the remaining balance (€ 1,350 million) converted into a long term interest bearing convertible subordinated debt, representing a compounded instrument.
The instrument was subordinated and includes a conversion clause into a fixed number of borrower's shares to be exercised at the discretion of Ferrero International S.A. any time between January 1, 2012 and June 30, 2012 and between January 1, 2017 and June 30, 2017. The carrying amount of the liability component at initial recognition has been determined as the fair value of the contractual stream of cash flows (including both coupon payment and repayments) discounted at a market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows on the same terms, but without the conversion options.

The equity component (included in the caption "other reserves and net income brought forward") at initial recognition represents the fair value that is determined in a residual way by the difference between the fair value of the compound instrument as a whole and the fair value of the liability component (as described above).

During the first conversion period (from January 1, 2012 to June 30, 2012), Ferrero International S.A. did not exercised the conversion clause. Accordingly, the contractual stream of cash flows has been re-measured until the second conversion period (from January 1, 2017 to June 30, 2017) and not until the maturity of the instrument, since the Group does not have an obligation to pay cash or other financial asset in related to the convertible subordinated debt after June 30, 2017. The Group can avoid the payment of subsequent coupons and repayments by exercising the call option to convert the instrument into ordinary shares. The subsequent measurement of the liability is at amortised cost and the effective interest is recognised in income statement. The subsequent measurement of the equity component is not subject to variation.
At August 31, 2015, the total carrying amount of this liability amounted to € 141,168, including € 62,509 due within one year. During 2015, the liability decreased by € 60,984.

(amounts in thousands of Euro, unless differently stated)

During year 2008/2009, the Shareholders of Ferrero International S.A. approved a dividend distribution. The amount was subsequently converted into a long term interest bearing subordinated debt owed to Shareholders, comprised of one loan amounting to € 227,000 expiring on December 31, 2017, and two smaller loans amounting to € 203,404, expiring on December 31, 2014. The two smaller loans were redeemed during 2012 through an advance repayment. Related contractual terms refer to common market conditions. At August 31, 2015 the total carrying amount of this liability amounted to € 167,500, including € 6,000 due within one year. During 2015, the liability decreased by € 6,000 through cash repayments.

During year 2011/2012, the Shareholders of Ferrero International S.A. approved a dividend distribution out of net income brought forward for € 813,900. The dividend resulted in a cash payment to Shareholders of € 13,900, with the remaining balance (€ 800,000) converted into a long term interest bearing subordinated debt owed to Shareholders, expiring on December 31, 2017. Related contractual terms refer to common market conditions. At August 31, 2015 the total carrying amount of these liabilities amounted to € 709,000, including € 12,000 due within one year. During 2015, the liability decreased by € 12,000 through cash repayments.

During year 2012/2013, the Shareholders of Ferrero International S.A. approved a dividend distribution out of net income brought forward for € 400,000. The dividend resulted in a cash payment to Shareholders of € 200,000, with the remaining balance (€ 200,000) converted into a long term interest bearing subordinated debt owed to Shareholders, expiring on December 31, 2019. Related contractual terms refer to common market conditions. At August 31, 2015 the total carrying amount of these liabilities amounted to € 200,000. During 2015, no cash repayments have been made.

During year 2013/2014, the Shareholders of Ferrero International S.A. approved a dividend distribution out of net income brought forward for € 400,000. The dividend resulted in a cash payment to Shareholders of € 220,000, with the remaining balance (€ 180,000) converted into a long term interest bearing subordinated debt owed to Shareholders, expiring on December 31, 2021. Related contractual terms refer to common market conditions. At August 31, 2015 the total carrying amount of these liabilities amounted to € 180,000. During 2015, no cash repayments have been made.

During year 2014/2015, the Shareholders of Ferrero International S.A. approved a dividend distribution out of net income brought forward for € 800,000. The dividend resulted in a cash payment to Shareholders of € 300,000, with the remaining balance (€ 500,000) converted into a long term interest bearing subordinated debt owed to Shareholders, expiring on December 31, 2021. Related contractual terms refer to common market conditions. At August 31, 2015 the total carrying amount of these liabilities amounted to € 500,000, including € 7,500 due within one year.

The interest expenses recorded in income statement related to the above mentioned loan contracts amounted to € 60,403 for the year ended at August 31, 2015, as compared to € 53,059 for the year ended at August 31, 2014.

29. Trade and other current payables

Trade and commercial payables are detailed as follows:

	2015	2014
Trade payables	743,293	538,181
Other commercial creditors	244,302	283,822
	987,595	**822,003**

Total trade payables as of August 31, 2015 amounted to € 988 million (August 31, 2014: € 822 million), of which € 244 million (August 31, 2014: € 284 million) relate to other commercial creditors, mainly comprised of invoices to be received for goods and services purchased.

(amounts in thousands of Euro, unless differently stated)

The following table presents the ageing of trade payables accounts at August 31, 2015:

	Trade Payables	Other Commercial creditors	Total
Not later than 1 year	715,849	244,302	**960,151**
	715,849	*244,302*	*960,151*
Overdue - less than 3 months	24,990	-	**24,990**
Overdue - between 3 months and 6 months	1,888	-	**1,888**
Overdue - between 6 months and 1 year	302	-	**302**
Overdue - more than 1 year	264	-	**264**
Overdue	*27,444*	-	*27,444*
	743,293	**244,302**	**987,595**

Other current payables are detailed are as follows:

	2015	2014
Payables towards personnel	228,046	195,542
Accrued expense and deferred income	188,746	123,319
Tax payables	63,252	27,772
Payables for social security	32,479	31,897
Payables for VAT	29,530	31,606
Other payables	288,177	304,706
	830,230	**714,842**

Tax, VAT and social security payables at August 31, 2015 amounted to € 125 million (€ 91 million at August 31, 2014). Other payables is primarily comprised of advances received from customers and payables to agents and distributors.

The following table presents the ageing of other current payables accounts at August 31, 2015:

	Tax, VAT and Social Securities Payables	Payables towards personnel and Other payables	Total
Not later than 1 year	125,261	695,370	820,631
Later than 1 to 5 years	-	9,599	9,599
	125,261	**704,969**	**830,230**

(amounts in thousands of Euro, unless differently stated)

30. Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this Note. Transactions with parent shareholders are described in note 28 - Debt owed to Shareholders.

Transactions between the Group and other related parties, mainly Ferrero Industrial Services G.E.I.E and Fondazione Piera, Pietro e Giovanni Ferrero – ONLUS, are not significant.

All the transactions with related parties were made at Group's usual list prices or at market prices.

No guarantees have been given or received; no expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Remuneration of Group Management and Board of Directors

During the current year and the previous year, the total remuneration of Board of Directors was as follows:

	2015	2014
Remuneration of Board of Directors	2,346	2,416

The remuneration of Board of Directors, as well as the remuneration of all the Executive management, is determined by internal procedures having regard to the performance of individuals and market trends. No advances or loans have been made to Board of Directors.

31. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and in post office accounts and investments in money market instruments.
Cash and cash equivalents at the end of current and previous financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2015	2014
Banks and post office	222,921	146,155
Time deposits	62,622	104,555
Cash and checks	620	2,967
	286,163	**253,677**

The effective interest rate on short-term bank deposits reflects the average interest rate of the market, as well as the development of the currencies invested for the period of up to three months.

32. Commitments and guarantees

Purchase commitments

At August 31, 2015, purchase commitments related to the acquisition of property, plant, and equipment amounted to approximately € 97,102 (August 31, 2014: € 117,486).

Lease commitments

At August 31, 2015, the Group has operating lease commitments, mainly related to building rent, for approximately € 148,338 (August 31, 2014: € 79,049).

(amounts in thousands of Euro, unless differently stated)

The maturity of operating lease commitments was as follows:

	2015	2014
Less than 1 year	36,334	18,941
From 1 to 5 years	92,839	55,308
More than 5 years	19,165	4.800
	148,338	**79,049**

Guarantees

Certain subsidiaries issued guarantees for an amount of € 482,270 (August 31, 2014: € 463,463).

Other commitments

Certain subsidiaries entered in other commitments (mainly, letters of credit and deposits) for an amount equivalent to € 26,828 (August 31, 2014: € 40,946).

33. Events after the balance sheet date

On February 9, 2016, date of approval of the Consolidated Financial Statements by the Board of Directors, the Group had no subsequent events that warrant a modification of the value of the assets and liabilities of the Group.

34. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on February 9, 2016 and will be authorised for issuance on February 25, 2016 at the Annual General Meeting.